

Financial Statements

HANCOCK COUNTY EMERGENCY COMMUNICATIONS DISTRICT

Year Ended June 30, 2008

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INDEPENDENT ACCOUNTANTS' AUDIT REPORT

Board of Directors
Hancock County Emergency Communications District
Sneedville, Tennessee

We have audited the accompanying statement of net assets of Hancock County Emergency Communications District, a component unit of Hancock County, Tennessee, as of June 30, 2008, and the related statement of revenue, expenses and change in net assets and statement of cash flows for the year then ended. These financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to in the first paragraph present fairly, in all material respects, the financial position of Hancock County Emergency Communications District as of June 30, 2008, and the results of its operations and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Management's discussion and analysis is not a required part of the basic financial statements but is supplementary information required by generally accepted accounting principles. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation. However, we did not audit this information and express no opinion thereon.

Our audit was performed for the purpose of forming an opinion on the financial statements taken as a whole. The accompanying schedule of expenditures of state awards is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole. The accompanying information listed as other supplementary information in the table of contents is presented for purposes of additional analysis and is not a required part of the financial statements. Such information has not been subjected to the auditing procedures applied in the basic financial statements and we express no opinion on it.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 18, 2009 on our consideration of Hancock County Emergency Communications District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and other matters and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Mitchell Emert & Hill

February 18, 2009

HANCOCK COUNTY EMERGENCY COMMUNICATIONS DISTRICT
P.O. BOX 347
SNEEDVILLE, TN 37869

Our discussion and analysis of the Hancock County Emergency Communications District's (the District) financial performance provides an overview of the District's activities for the year ended June 30, 2008. Please read it in conjunction with the District's financial statements, as listed in the table of contents.

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. The Statement of Net Assets and the Statement of Revenue, Expenses, and Changes in Net Assets provide information about the District as a whole and present a long-term view of the District's finances.

THE STATEMENT OF NET ASSETS AND THE STATEMENT OF REVENUE, EXPENSES AND CHANGE IN NET ASSETS

One of the most important questions asked about the District's finances is "Is the District better off or worse off as a result of this year's activities?" The Statement of Net Assets and the Statement of Revenue, Expenses and Change in Net Assets report information about the District and about its activities that help answer this question. These statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenue and expenses are taken into account, regardless of when cash is received or paid.

These two statements report the District's net assets and changes in them. You can think of the District's net assets – the difference between assets and liabilities – as one way to measure the District's financial health or financial position. Over time, increases or decreases in the District's net assets are one indicator of whether its financial health is improving or deteriorating.

FINANCIAL HIGHLIGHTS

The operations of the Hancock County Emergency Communications District (a component unit of Hancock County, Tennessee) are primarily funded as follows by service charges paid by telephone customers. Total operational costs for the District were \$177,461 for the year ended June 30, 2008 and \$131,411 for the year ended June 30, 2007.

NET ASSETS

The analysis below focuses on the net assets and changes in net assets of the District:

	<u>2008</u>	<u>2007</u>
Current assets	\$ 119,914	\$ 110,146
Capital assets	<u>169,703</u>	<u>197,511</u>
Total Assets	<u>\$ 289,616</u>	<u>\$ 307,656</u>
Current liabilities	\$ 515	\$ 35,851
Net assets:		
Invested in capital assets	169,703	197,511
Unrestricted	<u>119,398</u>	<u>74,295</u>
Total Net Assets	<u>289,101</u>	<u>271,805</u>
	<u>\$ 289,616</u>	<u>\$ 307,656</u>

CHANGE IN NET ASSETS

Operating revenue	\$ 150,157	\$ 155,456
Operating expenses	<u>177,461</u>	<u>131,411</u>
Operating (loss) income	(27,304)	24,045
Non-operating income	45,425	0
Non-operating (expense)	(825)	(42,162)
Capital contributions	<u>0</u>	<u>195,000</u>
Change in net assets	17,296	176,883
Beginning net assets	<u>271,805</u>	<u>94,923</u>
Ending net assets	<u>\$ 289,101</u>	<u>\$ 271,805</u>

Net assets of the District increased by 8% during 2008 and increased by 88% during 2007. Unrestricted net assets, the portion of the net assets that can be used to finance day-to-day operations were \$119,398 or 40 % of total net assets for 2008 and \$74,295 or 25% of total net assets for 2007.

FINANCIAL RATIOS

The ratios of Working Capital and Days Cash demonstrate the continuing ability to finance operations with cash. The stability of the current ratio and the liabilities to net assets ratio demonstrate that the District has not financed its working capital and days cash with an increased proportion of debt. The following is a related schedule of ratios:

	<u>2008</u>	<u>2007</u>
Working Capital (the amount by which current assets exceed current liabilities)	\$ 119,398	\$ 74,295
Current Ratio (compares current assets to current liabilities – as an indicator of the ability to pay current obligations)	237 to 1	3 to 1

Days Cash and Investments (represents
the number of days' normal operations
could continue with no revenue
collections)

247 days

301 days

Return on Assets – illustrates to what
extent there will be sufficient funds
to replace assets in the future

7%

73%

CAPITAL ASSETS

At June 30, 2008, the District had \$169,703 invested in capital assets as outlined below.

	<u>2008</u>	<u>2007</u>
Communications equipment	\$ 214,856	\$ 214,856
Office equipment	2,601	5,901
Vehicles	<u>17,700</u>	<u>8,500</u>
	235,157	229,257
Less accumulated depreciation	<u>(65,454)</u>	<u>(31,746)</u>
	<u>\$ 169,703</u>	<u>\$ 197,511</u>

CONTACTING THE DISTRICT'S MANAGEMENT

This financial report is designed to provide our citizens with a general view of the District's finances and to show the District's accountability to the money it receives. If you have any questions about this report or need additional financial information, contact:

G. Greg Marion
Chairman of the Board
Hancock County Emergency Communications District
P.O. Box 347
Sneedville, TN 37869
(423) 733-4341

HANCOCK COUNTY EMERGENCY COMMUNICATIONS DISTRICT

STATEMENT OF NET ASSETS

June 30, 2008

ASSETS

CURRENT ASSETS

Cash	\$ 109,807
Accounts receivable	7,728
Prepaid insurance	<u>2,378</u>

TOTAL CURRENT ASSETS 119,914

CAPITAL ASSETS

Communications equipment	\$ 214,856
Office equipment	2,601
Vehicle	<u>17,700</u>
	235,157
Accumulated depreciation	<u>(65,454)</u>
	<u>169,703</u>

TOTAL ASSETS \$ 289,616

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES

Accounts payable	\$ 515
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NET ASSETS

Invested in capital assets	\$ 169,703
Unrestricted	<u>119,398</u>
	<u>289,101</u>

TOTAL LIABILITIES AND NET ASSETS \$ 289,616

See the accompanying notes to the financial statements.

HANCOCK COUNTY EMERGENCY COMMUNICATIONS DISTRICT

STATEMENT OF REVENUE, EXPENSES AND CHANGE IN NET ASSETS

Year Ended June 30, 2008

REVENUE

Emergency telephone service charges	\$ 64,620
TECB-shared wireless charge	13,323
TECB-operational funding program	<u>72,215</u>

TOTAL OPERATING REVENUE 150,157

EXPENSES

Salaries and wages:		
Director	\$ 27,310	
Dispatchers	<u>55,364</u>	82,674
Employee benefits:		
Social security	6,325	
Unemployment	<u>687</u>	7,012
Contracted services:		
Audit	3,150	
Maintenance agreements	<u>12,388</u>	15,538
Maintenance and repairs:		
Communications equipment	1,837	
Vehicles	<u>5,406</u>	7,243
Addressing and mapping expense		11,123
Supplies and materials:		
Office supplies	255	
Postage	26	
Other	<u>385</u>	667

HANCOCK COUNTY EMERGENCY COMMUNICATIONS DISTRICT

STATEMENT OF REVENUE, EXPENSES AND CHANGE IN NET ASSETS

(continued)

Year Ended June 30, 2008

Utilities:		
General telephone		11,142
Other charges:		
Dues and subscriptions	100	
Insurance	4,866	
Internet access	213	
Training	658	
Travel	<u>42</u>	5,879
Depreciation		<u>36,183</u>
TOTAL OPERATING EXPENSES		<u>177,461</u>
(LOSS) FROM OPERATIONS		(27,304)
NON-OPERATING REVENUE(EXPENSE)		
TECB-grants and reimbursements	45,425	
Loss on disposal of equipment	<u>(825)</u>	<u>44,600</u>
CHANGE IN NET ASSETS		17,296
NET ASSETS AT THE BEGINNING OF THE YEAR		<u>271,805</u>
NET ASSETS AT THE END OF THE YEAR		<u><u>\$ 289,101</u></u>

See the accompanying notes to the financial statements.

HANCOCK COUNTY EMERGENCY COMMUNICATIONS DISTRICT

STATEMENT OF CASH FLOWS

Year Ended June 30, 2008

CASH PROVIDED (USED) BY OPERATING ACTIVITIES

Cash received from telephone charges	\$ 152,233
Cash paid to suppliers	(93,939)
Cash paid to employees	<u>(82,674)</u>

NET CASH (USED) BY OPERATING ACTIVITIES (24,380)

**CASH PROVIDED BY NON-CAPITAL AND
RELATED FINANCING ACTIVITIES**

TECB grants and reimbursements	45,425
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**CASH (USED) BY CAPITAL AND
RELATED FINANCING ACTIVITIES**

Purchase of vehicle	<u>(9,200)</u>
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NET INCREASE IN CASH 11,845

CASH AT THE BEGINNING OF THE YEAR 97,963

CASH AT THE END OF THE YEAR \$ 109,807

**RECONCILIATION OF (LOSS) FROM
OPERATIONS TO NET CASH (USED)
BY OPERATING ACTIVITIES**

(Loss) from operations		\$ (27,304)
Adjustments to reconcile (loss) from operations to net cash (used) by operating activities:		
Depreciation	\$ 36,183	
(Increase)decrease in:		
Accounts receivable	2,379	
Prepaid insurance	(303)	
(Decrease) in:		
Accounts payable	(399)	
Refund due to State of Tennessee	<u>(34,936)</u>	<u>2,924</u>

NET CASH (USED) BY OPERATING ACTIVITIES \$ (24,380)

See the accompanying notes to the financial statements.

HANCOCK COUNTY EMERGENCY COMMUNICATIONS DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2008

NOTE A - DESCRIPTION OF ORGANIZATION

Hancock County Emergency Communications District (the District) was established on April 10, 1995, pursuant to the provisions of Chapter 867 of the Public Acts of 1984 of the State of Tennessee. The purpose of the District is to furnish local emergency telephone service and a primary emergency telephone number for the residents of Hancock County, Tennessee. The District is governed by a Board of Directors of not less than seven and not more than nine persons. These directors, appointed by the Hancock County Board of Commissioners, consist of the persons holding the following positions: the Mayor of Hancock County, Sheriff of Hancock County, Mayor of City of Sneedville, Director of the Emergency Medical Service, Superintendent of Roads of Hancock County, Director of Emergency Management Agency of Hancock County, Director of the Medical Clinic, Hancock County Director of Schools and one Hancock County Commissioner.

The District is considered a component unit of Hancock County, Tennessee because the Hancock County Board of Commissioners appoints a majority of the District's Board of Directors and must approve any debt issued by the District.

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The District uses the accrual basis of accounting. Revenue is recognized when earned and measurable, and expenses are recognized when the liability is incurred. The District follows all pronouncements of the Governmental Accounting Standards Board (GASB) and pronouncements of the Financial Accounting Standards Board (FASB) issued on or before November 30, 1989. The District has not elected to follow FASB pronouncements issued after November 30, 1989.

GASB Statement No. 34, *Basic Financial Statements-and Management's Discussion and Analysis-for State and Local Governments* establishes standards for external financial reporting for state and local governments and requires that resources be classified for accounting and reporting purposes into the following three net asset groups:

Invested in capital assets: This category includes capital assets, net of accumulated depreciation. Invested in capital assets at June 30, 2008 has been calculated as follows:

Capital assets	\$ 235,157
Accumulated depreciation	<u>(65,454)</u>
	<u>\$ 169,703</u>

HANCOCK COUNTY EMERGENCY COMMUNICATIONS DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

(continued)

June 30, 2008

Restricted: Net assets whose use is subject to externally imposed stipulations that can be fulfilled by actions of the District pursuant to those stipulations or that expire by the passage of time. The District had no restricted net assets as of June 30, 2008.

Unrestricted: Net assets that are not subject to externally imposed stipulations and that do not meet the definition of "restricted" or "invested in capital assets". Unrestricted net assets may be designated for specific purposes by action of management or the Board of Directors or may otherwise be limited by contractual agreements with outside parties.

Accounts Receivable

Accounts receivable which are deemed uncollectible based upon a periodic review of the accounts are charged to revenue. At June 30, 2008, no allowance for uncollectible accounts was considered necessary.

Capital Assets

Capital assets are recorded at cost and defined by the District as assets with an initial, individual cost of \$5,000 or more (dollar limit is effective for assets purchased after July 1, 2003). Depreciation is computed using the straight-line method over the estimated useful lives, which range from five to thirty years.

Operating Budget

The District is required by state law to adopt an annual operating budget. The budget is prepared on the cash basis of accounting. Under that basis, revenue is recognized when received rather than when earned and expenses are recognized when paid rather than when the obligation is incurred. Property and equipment purchases are recognized as expenses and no depreciation expense is not recognized. All appropriations lapse at the end of the year.

HANCOCK COUNTY EMERGENCY COMMUNICATIONS DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

(continued)

June 30, 2008

NOTE C – CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2008, was as follows:

	<u>Balance 7/1/07</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance 6/30/08</u>
<u>Capital assets</u>				
<u>being depreciated</u>				
Communications equipment	\$ 214,856	\$ 0	\$ 0	\$ 214,856
Office equipment	5,901	0	(3,300)	2,601
Vehicle	<u>8,500</u>	<u>9,200</u>	<u>0</u>	<u>17,700</u>
	229,257	9,200	(3,300)	235,157
<u>Accumulated depreciation</u>				
Communications equipment	(18,500)	(34,473)	0	(52,973)
Office equipment	(4,746)	(330)	2,475	(2,601)
Vehicle	<u>(8,500)</u>	<u>(1,380)</u>	<u>0</u>	<u>(9,880)</u>
	<u>(31,746)</u>	<u>(36,183)</u>	<u>2,475</u>	<u>(65,454)</u>
	<u>\$ 197,511</u>	<u>\$ (26,983)</u>	<u>\$ (825)</u>	<u>\$ 169,703</u>

NOTE D - RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District carries commercial insurance for all risks of loss, including general liability coverage. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

HANCOCK COUNTY EMERGENCY COMMUNICATIONS DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

(continued)

June 30, 2008

NOTE E - CASH

Cash is stated at cost, which approximates market value. These balances were held by the County Trustee in the District's name and were insured by the Federal Deposit Insurance Corporation (FDIC) and the State of Tennessee Bank Collateral Pool. The District considers all highly liquid investments with an original maturity date of three months or less when purchased to be cash equivalents.

State of Tennessee law authorizes the District to invest in obligations of the United States or its agencies, non-convertible debt securities of certain federal agencies, other obligations guaranteed as to principal and interest by the United States or any of its agencies, secured certificates of deposit and other evidences of deposit in state and federal banks and savings and loan associations, and the state treasurer's investment pool.

The pool contains investments in certificates of deposit, U.S. Treasury securities and repurchase agreements, backed by the U.S. Treasury securities. The Treasurer of the State of Tennessee administers the investment pool. Although the District may participate in the state investment pool, it elects not to. District policy dictates that collateral meet certain requirements, such as, be deposited in an institution which participates in the state collateral pool or be deposited in an escrow account in another institution for the benefit of the District and must be a minimum of 105% of the value of the deposits placed in the institution less the amount protected by federal deposit insurance.

The state collateral pool is administered by the State of Tennessee. Members of the pool may be required by agreement to pay an assessment to cover any deficiency. Under this additional agreement, public fund accounts covered by the pool are considered to be classified as category one insured credit risk in accordance with GASB Statement No. 3, *Deposits with Financial Institutions, Investments (including Repurchase Agreements) and Reverse Repurchase Agreements*.

OTHER SUPPLEMENTARY INFORMATION

HANCOCK COUNTY EMERGENCY COMMUNICATIONS DISTRICT

STATEMENT OF REVENUE AND EXPENSES - ACTUAL AND BUDGET

Year Ended June 30, 2008

	<u>Actual</u> <u>(Accrual basis)</u>	<u>Budget</u> <u>(Cash basis)</u>	<u>Variance</u> <u>Over (Under)</u>
REVENUE			
Emergency telephone service charges	\$ 64,620	\$ 59,355	\$ 5,265
TECB-shared wireless charge	13,323	16,663	(3,340)
TECB-operational funding program	<u>72,215</u>	<u>33,200</u>	<u>39,015</u>
	150,157	109,218	40,939
EXPENSES			
Salaries and wages:			
Director	27,310	27,310	0
Dispatchers	<u>55,364</u>	<u>55,500</u>	<u>(136)</u>
	82,674	82,810	(136)
Employee benefits:			
Social security	6,325	6,600	(275)
Unemployment	<u>687</u>	<u>500</u>	<u>187</u>
	7,012	7,100	(88)
Contracted services:			
Audit	3,150	3,000	150
Vehicle lease and rental	0	9,200	(9,200)
Maintenance agreements	<u>12,388</u>	<u>11,500</u>	<u>888</u>
	15,538	23,700	(8,162)
Maintenance and repairs:			
Communications equipment	1,837	7,500	(5,663)
Buildings and facilities	0	100	(100)
Vehicles	<u>5,406</u>	<u>5,500</u>	<u>(94)</u>
	7,243	13,100	(5,857)
Addressing and mapping expense	11,123	11,500	(377)

HANCOCK COUNTY EMERGENCY COMMUNICATIONS DISTRICT

STATEMENT OF REVENUE AND EXPENSES - ACTUAL AND BUDGET

(continued)

Year Ended June 30, 2008

	Actual (Accrual basis)	Budget (Cash basis)	Variance Over (Under)
Supplies and materials:			
Office supplies	255	1,000	(745)
Postage	26	100	(74)
Small equipment purchases	0	2,500	(2,500)
Other	385	1,500	(1,115)
	<u>667</u>	<u>5,100</u>	<u>(4,433)</u>
Utilities:			
General telephone	11,142	11,400	(258)
Other charges:			
Dues and subscriptions	100	500	(400)
Insurance	4,866	6,500	(1,634)
Internet access	213	300	(88)
Training	658	3,000	(2,342)
Travel	42	1,500	(1,458)
Legal notices	0	900	(900)
Licenses and fees	0	500	(500)
	<u>5,879</u>	<u>13,200</u>	<u>(7,322)</u>
Depreciation	<u>36,183</u>	<u>0</u>	<u>36,183</u>
	<u>177,461</u>	<u>167,910</u>	<u>9,551</u>
(LOSS) FROM OPERATIONS	(27,304)	(58,692)	31,388
NON-OPERATING REVENUE			
(EXPENSE)			
TECB grants and reimbursements	45,425	25,425	20,000
Loss on disposal of equipment	<u>(825)</u>	<u>0</u>	<u>(825)</u>
CHANGE IN NET ASSETS	<u>\$ 17,296</u>	<u>\$ (33,267)</u>	<u>\$ 50,563</u>

See the accompanying independent accountants' audit report.

HANCOCK COUNTY EMERGENCY COMMUNICATIONS DISTRICT

PUBLIC SAFETY ANSWERING POINTS

June 30, 2008

There is one public safety answering point (PSAP) utilized by the Hancock County Emergency Communications District (the District).

The PSAP is located at the District's offices at 262 New Jail Street, Sneedville, TN, 37869.

The District uses the following system and/or equipment:

TC-INV2-SPCPN Controller (PSAP System)
Primet-20/2 Console System (Radio System)
Motorola Radius M1225 (Mobile Radio Units)
Motorola HT750 (Portable Radio Units)
Digital Phone Logging System
TC-3914-B Database Modem
GPS Command Center Package 9183
UPS Battery Module

HANCOCK COUNTY EMERGENCY COMMUNICATIONS DISTRICT

ROSTER OF OFFICIALS

June 30, 2008

Director

Jimmy R. Trent
P.O. Box 762
Sneedville, TN 37869
Telephone number (423) 733-8453
Telefax number (423) 733-4348

Chairman of the Board of Directors

G. Greg Marion
P.O. Box 347
Sneedville, TN 37869
Telephone number (423) 733-4341
Telefax number (423) 733-4348

Members of the Board of Directors

Michael Antrican
Alan Dale Davis
Charlie Dunsmore
Jack Mullins
Dean Rhea
Clem D. Seal
Ralph D. Seal
John Short
Dewey Taylor

HANCOCK COUNTY EMERGENCY COMMUNICATIONS DISTRICT

EXPENDITURES OF STATE AWARDS

Year Ended June 30, 2008

<u>Project Number</u>	<u>Grant Purpose</u>	<u>Federal Grantor/ Pass-Through Grantor</u>
N/A	Rural Dispatcher Grant	Tennessee Department of Commerce and Insurance
N/A	GIS Mapping Grant	Tennessee Department of Commerce and Insurance

See the accompanying independent accountants' audit report.

<u>Receivable July 1, 2007</u>	<u>Receipts</u>	<u>Expenses</u>	<u>Receivable June 30, 2008</u>
\$ 0	\$ 30,000	\$ 30,000	\$ 0
<u>0</u>	<u>15,425</u>	<u>15,425</u>	<u>0</u>
<u>\$ 0</u>	<u>\$ 45,425</u>	<u>\$ 45,425</u>	<u>\$ 0</u>

INTERNAL CONTROL

AND

COMPLIANCE

**INDEPENDENT ACCOUNTANTS' REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

Board of Directors
Hancock County Emergency Communications District
Sneedville, Tennessee

We have audited the financial statements of Hancock County Emergency Communications District, a component unit of Hancock County, Tennessee, as of and for the year ended June 30, 2008 and have issued our report thereon dated February 18, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States of America.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Hancock County Emergency Communications District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Hancock County Emergency Communications District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Hancock County Emergency Communications District's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Hancock County Emergency Communications District's financial statements are free of material misstatements, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

However, we noted other matters that we have reported to the management of Hancock County Emergency Communications District in a separate letter dated February 18, 2009.

This report is intended solely for the information and use of management and government regulatory agencies and is not intended to be and should not be used by anyone other than these specified parties.

Mitchell Emert & Hill

February 18, 2009